REGIONAL HOUSING NEEDS ALLOCATION:
THE SOUTHERN CALIFORNIA APPROACH
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By

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Abstract

This paper explores how Southern California Association of Governments (SCAG) recently developed successful regional housing needs allocation (RHNA) between 2006 and 2014 for 187 cities and 6 counties in the Southern California region. The paper reviews the Southern California approach toward developing the key elements of RHNA: process, method, policy decisions, and projections. The paper draws lessons learned during the fourth cycle of the RHNA process and makes suggestions for the future direction of the RHNA.

1. Introduction

1.1 What is SCAG?

The Southern California Association of Governments (SCAG) is the largest of approximately 700 councils of governments (COG) in the United States in terms of land area and population, functioning as the Metropolitan Planning Organization (MPO) for Southern California. SCAG represents six counties: Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura. SCAG encompasses 188 cities (the City of Wildomar was incorporated on July 1, 2008), 38,000 square miles, and nearly 19 million people (SCAG, 2008a). Since SCAG was formed in 1965, SCAG is mandated by the federal and state governments to develop regional plans for transportation, growth management, housing development, air quality and other issues of regional significance. SCAG is governed by a 77-member Regional Council, which includes elected officials from local cities and counties within the SCAG region and is the ultimate decision making body of SCAG.

As the region's Council of Governments, SCAG is responsible for allocating the state-determined regional housing need to all jurisdictions that comprise the SCAG region (http://www.scag.ca.gov/Housing/index.htm). The RHNA is a state mandate regarding planning for housing in California, rooted in the State Legislature's goal to expand housing opportunities and accommodate housing of California in all economic levels. The state, regional and local governments have a role to play in attaining this goal. The State of California, via the Housing and Community Development Department (HCD) determines each region's need for housing. Council of Governments, such as SCAG, then allocates that regional need, for all income groups, amongst its jurisdictions. Local jurisdictions then plan for that need in their updated housing elements, which are stated-certified by HCD.

1.2 State of the Region: Housing

In the Southern California Association of Government's (SCAG) annual State of the Region 2007, Housing received a grade of D by a Benchmarks Task Force measuring regional progress against a set of interrelated performance indicators. The low grade resulted from the region having the second lowest homeownership rate of any metro area in the country 57%, just above the New York region (56%), and, among the nine largest metro areas of the nation; the SCAG region had the highest percentage of owners and renters paying more than a 1/3 rd of their income for housing, and leads the nation in households living in overcrowded homes (U.S. Census Bureau, 2006).

Southern California is one of the least affordable regions in the nation. Household income has grown slowly, while housing costs have increased dramatically. The relative income level of the region to the nation has declined from 1.27 in 1959 to 0.98 in 1999. Over the last three decades, the SCAG Region's per capita income ranking dropped from the 4th highest in 1969 to 7th in 1989 and then 16th in 1999. The SCAG region continues to rank last in terms of per capita income among the 17 largest metropolitan regions in the nation in 2005 (SCAG, 2007a). In contrast to the slow growing income level, the SCAG region's median home values are now more than double the national median.

The lack of affordable housing in the SCAG region results in the mismatch between population growth and household growth. Between 2000 and 2007, one household for every five persons was added to the region. The rapidly growing population is reflected in larger households than

in the formation of new households. The average persons-per-household ratio in the region has increased from 3.07 in 2000 to 3.19 in 2007. Although the increasing household size may be affected by the cultural propensity of some groups such as recent immigrants to form the large intergenerational families, it is more likely caused by the limited supply of affordable housing units (Johnson et al, 2004; Curtin, 2006; Southern California Association of Non-Profit Housing (SCANPH), 2005). Workforce housing affordability and availability issues also have negatively affected quality of life of the residents in the region (California Budget Project (CBP), 2004). Furthermore, the insufficient supply of affordable housing in jobs-rich urban areas maintained existing trends in urban sprawl, longer commute patterns, congested freeways and worsening air quality (SCAG, 2008b).

Significant regional homeownership variations exists between ethnic and racial groups particularly where they are concentrated, and where they tend to settle. For instance, 66% of whites are homeowners, while the rates for other groups are Asian 56%, Hispanics 47% and Blacks 40% (US Census Bureau, 2006). Improving Hispanic and recent immigrant home ownership achievement will be particularly a challenge since well over 90% of the future households will come from this group (Lopez-Aqueres et al, 2002). Home ownership achievement is a step toward bridging the income gap between ethnic groups as it is a way to build wealth, invest in communities and strengthen school districts.

This is a critical consideration because the economic divide is widening in California and the SCAG region, as evidenced by increases in the population in poverty relative to other income groups. Widespread economic separation into wealthier and poorer income groups can ultimately affect housing markets (Rosenthal et al, 2003). As certain groups of people consistently are deprived high quality education, their members are more likely to join the ranks of lower wage, transit dependant workers. Education and workforce training will be increasingly important in regional economic strategies if housing overcrowding and overpayment are to be kept in check, and per capita income improved (Ong et al, 2004).

For instance, during the 2007-2008 school year, the Los Angeles Unified School District has some 694,000 students, 90% of whom are minority, experienced a 34% dropout rate between 9th grade and 12 grades (Los Angeles Unified School District, 2008). As this number grows, it may reduce effective demand for housing, and lead to their isolation and concentration in distressed communities. This can contribute to much higher occupancy levels as households overcrowd to share the housing cost burden or pay an excessive amount of income toward shelter costs in order to make ends meet. This can alter housing markets by creating a shortage of homebuyers who are eligible to finance and acquire the high-priced properties for sale, unless, of course, they over-stretch to reach the American Dream by resorting to unsustainable, subprime loans.

Because of the extensive use in the region of subprime and interest only loans to catch up with rising home prices in the state (47% of new California single-family home mortgages in 2004 were interest only) (Coy, 2005), 2007 saw a rising tide of defaults and foreclosures when subprime loans reset to higher levels and home values and construction activity declined, especially in first time homebuyer areas because of over supply, and tighter lending standards. Minority and immigrant households seeking homeownership and refinancing opportunities were hardest hit (SCAG, 2008b).

1.3 A Long Range Compass Blueprint for future Growth

The backbone of the affordable housing in the region is its aging housing stock and there is a need to reinvest in it through housing preservation, rehabilitation, infill, mixed use and adaptive reuse and remolding. SCAG's Compass Blueprint provides a strategy that focuses future growth into employment centers and into existing major transportation corridors and station areas (SCAG, 2004). It promotes balanced infill growth in urban areas and compact transportation efficient development in outlying areas. A goal is to create significant areas of mixed-use, in town development, which promotes walkable neighborhoods, shorter commutes and easy access to services, and retail needs. Transit adjacent development offers the opportunity to promote more transit ridership and less dependence on auto oriented community design and long distance commuting from home to work.

In the post-World War II era massive national investment in development infrastructure--especially public highways--led to the expansion of single family neighborhoods through suburbanization. The Federal investment in transportation and insured home-lending by the Federal Housing Administration (FHA) promoted suburban flight and the isolation of minorities in central cities. In the 1950s, according to the U.S Census, half of all households were growing families in suburban communities, while in 2000 the proportion of households with children dropped to 25%. In response to a lack of infrastructure funding, changing demographics and future growth trends which may reverse and diversify new construction and settlement patterns, the State of California has promoted Regional Blueprint plans around the state to better plan for future growth and change. These plans place an emphasis in the Post Millennium era on regional transportation efficiency - reducing Vehicle Miles Traveled (VMT) through land use strategies, Green House Gas reduction through Climate Action Plans, and environmental sustainability by reducing fossil fuel consumption. One of the key strategies is to promote less auto oriented design and more infill, mixed use and transit oriented development through a long range transportation and housing supply scenarios. The California Blueprints are designed to achieve more public engagement and support by integrating regional policies related to transportation and land use with local planning efforts (see http://calblueprint.dot.ca.gov/).

1.4 A Frequently Updated Local Housing Plan to Meet the Needs of Growing Population and
     Employment
Since 1980, California has mandated local planning for affordable housing, requiring each city and county to revise and update a detailed housing element as part of its General Plan every five years. The housing element must make adequate provision for the housing needs of all economic segments of the community. Although not requiring the community to develop the housing, Housing Element law requires the community to plan for housing, including its fair share of regional housing market need by income group (California Department of Housing and Community Development, 2005). Recognizing that local governments may lack adequate resources to provide for the housing of all in need, the law nevertheless mandates that the community do all that it can and that it not engage in exclusionary zoning practices that fight against or defeat market forces which are moving a diversity of supply into balance with demand for all economic groups.

The State of California has made a diligent effort to improve the housing provision and affordability for almost four decades. The housing element law has placed a mandate upon local governments to adequately plan to meet the existing and projected housing needs of all economic segments of the community since 1969. The housing element update process addresses the statewide concern of providing "decent housing and a suitable living environment for every

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California family,"(California Department of Housing and Community Development, 2005) in part by facilitating increases in housing supply to accommodate the needs of the state's growing population. The law recognizes that the most critical decisions regarding housing development occur at the local level within the context of the general plan. In order for the private sector to adequately address housing needs and meet demand, local governments must regularly update their general plans, zoning, and development standards to provide opportunities for housing development for all income groups.

SCAG prepares a regional housing needs plan once every five years. SCAG began the fourth cycle of the regional housing needs allocation (RHNA) in 2005 with four main goals to guide the course of action: a fair and transparent process, accuracy of the projections, consensus of results, and linkage of transportation and housing planning (Carreras, 2007). SCAG determined the projected housing need for its region by allocating the regional housing numbers provided by the State of California Department of Housing and Community Development, and ensuring that minimum affordable housing goals are met. These goals are based on the latest census income categories and are adjusted to meet Fair Share housing requirements. The current planning period is January 1, 2006 to June 30, 2014. The six year planning was approved to allow the coordination of the RHNA forecast with the Regional Transportation Plan growth forecast. SCAG completed it in July 2007, which was certified to be consistent with statutory requirements by California Department of Housing and Community Development in September 2007.

This paper explores how SCAG developed successful regional housing needs allocation (RHNA) between 2006 and 2014 for 187 cities and 6 counties in the Southern California region, notwithstanding three lawsuits. The paper reviews the Southern California approach toward developing the key elements of RHNA: process, methodologies, policy decisions, and demographic projections. The paper summarizes a list of challenges and draws lessons learned during the fourth cycle of the RHNA process and makes suggestions for the future direction of the RHNA.

2. Background

2-1 What is the RHNA?
The ultimate goal of estimating the local fair share of the regional housing market need is to develop a quantified target of affordable housing units which communities agree with. The local share of the regional housing needs allocation is a short-term projection of additional housing units needed to accommodate existing households and projected household growth of all income levels by the end of the housing element planning period. The regional housing needs allocation (RHNA) process establishes minimum housing development capacity that cities and counties are to make available via their land use powers to accommodate growth within a short-term planning period. RHNA numbers are assigned by four income categories as guideposts for each community to develop a mix of housing types for all economic segments of the population. The process is also known as "fair share" planning. The RHNA results should be consistent with other goals of the State Law: increasing the housing supply and the mix of housing types, tenure, and affordability in an equitable manner; promoting infill development and socioeconomic equity; promoting an improved intraregional relationship between jobs and housing; and allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share compared to the countywide distribution (California Senate Bill No. 12 65584 (d))

The Regional Housing Needs Assessment (RHNA) is mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. The RHNA quantifies the need for housing within each jurisdiction during specified planning periods. The current planning period is January 1, 2006 to June 30, 2014. Communities use the RHNA in land use planning, prioritizing local resource allocation, and in deciding how to address identified existing and future housing needs resulting from population, employment and household growth. The RHNA does not necessarily encourage or promote growth, but rather allows communities to anticipate growth, so that collectively the region and subregion can grow in ways that enhance quality of life, improve access to jobs, promotes transportation mobility, and addresses social equity, fair share housing needs.

The RHNA consists of two measurements of housing need: existing need and future need. The existing need assessment simply examines key variables from the most recent Census to measure ways in which the housing market is not meeting the needs of current residents. These variables include the number of low-income households paying more than 30% of their income for housing, as well as severe overcrowding, farm worker needs and housing preservation needs.

The future need for housing is determined primarily by the forecasted growth in households in a community. Each new household, created by a child moving out of a parent's home, by a family moving to a community for employment, and so forth, creates the need for a housing unit. The anticipated housing needed for new households is then adjusted to account for an ideal level of vacancy needed to promote housing choice, moderate cost increase, avoid the concentration of lower income households and to provide for replacement housing.

2-2 RHNA Use in the Local Housing Element
Every city and county in California must adopt a comprehensive "general plan" to govern its land use and planning decisions. All planning and development actions must be consistent with the general plan. The general plan housing element must be periodically updated using the latest RHNA allocation plan. A housing element must first include an assessment of the locality's existing and future housing needs. This assessment must include the community's "fair share" regional housing needs allocation (RHNA) for all income groups (very low, low, moderate and above moderate) as determined by the regional Council of Governments (COG).

The purpose of the Housing Element of the General Plan is to ensure that every jurisdiction establishes policies, procedures and incentives in its land use planning and redevelopment activities that will result in the maintenance and expansion of the housing supply to adequately house households currently living and expected to live in that jurisdiction. When a local government fails to adopt an updated housing element, or adopts an element that does not comply with the law, the general plan is invalid and a local government may not proceed to make land use decisions or approve development until it has adopted a valid housing element.

Housing Element Law requires quantification of each jurisdiction's existing and projected housing needs for all income levels. The housing element's requirements to accommodate projected housing needs are a critical factor influencing the housing supply and availability statewide and within regional housing markets. The local regulation of the housing supply through planning and zoning powers affects the State's ability to achieve the State housing goal of "decent housing and a suitable living environment for every California family," and is an

important influence on housing costs.

The regional housing needs allocation process addresses this statewide concern, and reflects shared responsibility among local governments for accommodating the housing needs of all economic levels. The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of all Californians. While this law does not require local governments to provide housing to meet all of its identified need, it does require that the community plan for the needs of all their residents.

2-3 Three Stages of SCAG's RHNA Approach: 1972 to 2007
SCAG's participation in the Fair Share planning process has evolved in three distinct stages since it began addressing Southern California's housing needs in the 1970s (See Appendix 1). These stages can be summed up as follows:

Stage 1:   SCAG develops a Regional Housing Allocation Model (RHAM) to guide the distribution of federal housing resources, aide local housing planning and gain bonus Area-wide Housing Opportunity Plan funds for the region, 1972 – 1980. Communities also use the RHAM to update their advisory housing elements of their General Plans.

Stage 2:   SCAG develops a mandated and State funded Regional Housing Needs Assessment (RHNA) to allocate a fair share of housing need by income group across cities and counties with funding through the Local State Mandate Commission, 1980 – 2004. This is in response to a change in law that mandates the review of local housing elements by the State Housing and Community Development Department (HCD).

Stage 3: SCAG seeks coordination of RHNA Plan with its long range growth forecast for Regional Transportation, including Compass Blueprint transportation and housing supply scenarios beyond 2015, and other plans, but eligibility for Local State Mandate Commission re-imbursement for the RHNA/ fair share planning is withdrawn and the Legislature adopts a local fee based system to fund the process, 2004 – 2007.

SCAG started its regional housing needs planning initiatives with its advisory 1972 Regional Housing Allocation Model (RHAM) and has just completed its State mandated 2007 Regional Housing Allocation Plan (RHAP). During this 35 year period, the SCAG focus has shifted from aiding communities applying for federal community development and housing resources to providing state mandated regional housing planning targets by income group for communities updating their local housing elements and competing for discretionary state and federal housing or bond resources from State HCD. Over the last four decades, affordable housing has been provided more and more by community-based and regional non-profit housing developers (Weinheimer, 1999; National Congress for Community Economic Development, 2005; Melendez and Servon, 2007; Walker, 2002; Levy et al, 2001; Mayer, Neil. 2007.). This trend emerged and grew rapidly with the support and guidance of an array of private funding sources and federal and state tax credits in support of affordable housing. On the other hand, over the last three decades national policy--supporting housing and community development funding and subsidies--has been in steady decline, while state and local governments have been asked to assume increasing responsibility for providing affordable, fair share housing opportunities that serves all economic groups (Hays, 1995; Erickson, 2004). A renewed national focus on promoting housing affordability is unlikely to return. This is why State HCD is currently holding regional meetings

on finding a secure and permanent funding source for providing affordable housing in the future. Local and State Housing Trust funds, along with even a National Housing Trust fund have been proposed. There are three basic questions that HCD has asked in determining what it should recommend to the Governor and State Legislature:

1. What should be the Permanent Source fund?
2. How should be the money distributed?
3. Sources of Funding?

2-4 Quantifying Local Shares of Affordable Housing Need

The procedures of determining the local share of the regional housing needs allocation have been controversial and have been frequently updated over the last four decades (Mitchell, 1994; Warner, Dichoso, Markham, Mclaughlin, and Stowell, 1997; Landis and Legates, 2000; Fulton and Shigley, 2005). The California housing element law started with no detailed statutory requirements in 1969 and now has become one of the most detailed and extensive set of planning requirements in the nation (Warner, Dichoso, Markham, Mclaughlin, and Stowell, 1997). A major concern is abiding by the steps and process used to inform the public and communities just how the Council of Governments (e.g., SCAG) or the State HCD where there is no COG determined the RHNA housing targets by income group.

The California housing element law may have contributed to developing many very good housing plans (Landis and Legates, 2000). But it has not been as successful in producing the needed affordable housing units (Baer, 1986; Mitchell, 1994; Connerly and Smith, 1994; Warner et al, 1997; Landis and Legates, 2000; Fulton and Shigley, 2005; Baer, 2008). Nor has a strong connection been established between non-compliant jurisdictions and the under production of needed market rate or affordable housing (Lewis, 2005).

Two major state housing element laws were introduced to improve the existing RHNA process. In 2004, California Assembly Bill 2158 (Lowenthal) made significant reforms to the process and standards for determination of the regional housing needs allocation (RHNA)–the "fair share" allocation to each community of the regional need for very low, low, moderate and above moderate income housing. The extensive administrative process required and array of planning factors that must be considered, including required surveys of local government, changes in the methodology, opportunities for transfers and alternative distributions by cooperating localities, and new rules revising, appealing and reallocating successfully appealed units. Courts have recently refused to set aside and redo the 2007 RHNA final allocations once they are made (Cities of La Mirada, Palmdale and Irvine), since the Statute no longer provides for judicial review following the conclusion of the COG process. These cases are being appealed.

California Assembly Bill 2158 now requires that a fair share distribution of regional housing need between or within counties shall consider specific factors in its housing need methodology and allocation plan. The factors are listed in the statute and require each COG to include in its development of a distribution methodology each member jurisdiction's existing jobs-housing balance, opportunities and constraints to housing development facing member jurisdictions (including lack of water or sewer capacity, land availability, land protected from urban development under state and federal programs, and county policies to protect farmland), the distribution of household growth assumed for purposes of regional transportation plans, market demand for housing, agreements between counties and cities to direct growth, loss of units in assisted housing developments, high housing costs burdens, and farm worker housing needs, and to explain in writing how each of these factors was incorporated into the methodology. The housing statute also prohibits any ordinance, policy, voter-approved measure that directly or

indirectly limits residential building permits from serving as a justification for a reduction in the jurisdiction's allocation.

Because of the consensus based process that must be followed, SCAG and other Councils of Government that prepare RHNAs follow a delicate balance between responding to the individual needs and interests of member local jurisdictions, and urging them to coordinate and occasionally subordinate some of their parochial interests in order to further the well-being of the region as a whole, and substantially comply with State Housing Law requirements. The pressures on the process have never been greater than they are today, and much debate occurs around the issue of SCAG housing targets.

California Senate Bill 12 (Lowenthal) allows SCAG to makes modifications to its RHNA process for one housing element update cycle. The bill does not change existing law relative to the criteria for determining a jurisdiction's housing numbers. Developing RHNA numbers is an exhaustive process. SB 12 introduces three new major elements during the RHNA process. First, SB 12 allows SCAG to develop its RHNA through a series of 14 public workshops rather than through the survey process spelled out in current law. SCAG believes that its member agencies will be better served by using a more interactive process. Second, this bill provides that SCAG may establish the timeline for RHNA revision requests and that jurisdiction are allowed only one appeal of its RHNA number. This assures that the RHNA process will not be slowed down by multiple appeals from the same jurisdiction. Yet the streamlined process also assures that every jurisdiction has an opportunity to seek a revision and one appeal of its allocation of need, and has the maximum time permitted in law to update and submit its local housing element to State HCD before the June 30, 2007 deadline. Third and last, this bill promotes more coordination of different plans dealing with housing, employment, transportation, and the environmental needs of the region. An integrated long-term growth forecast developed by five-year increments is used a key tool to maintain consistency of different plans and programs.

2-5. Coordination of Plans: RHNA, RTP, and Compass Blueprint
SCAG develops household projections for various planning efforts, including the: RHNA, RTP, and Compass Blueprint. The traditional RHNAs and RTPs are based on different household forecasts derived from several different perspectives: the number of socioeconomic variables, geography, time, planning schedule, and requirements (See Table 1). The previous RHNAs are based on the short term forecast of households at the city level, while the RTPs are based on the long term forecast of tens of socioeconomic variables at the transportation analysis zone (TAZ) level. Both RHNA and RTP were usually developed based on the different planning schedule. The last consideration is that RHNA is used by local jurisdictions to prepare and update the local housing element, but RTP is required by SCAG to determine the future transportation investment strategies. Since future projected growth and the resulting traffic congestion play a key role in allocating the future transportation funding, some local jurisdictions might be concerned about lower growth projections reducing their transportation funds. The same local jurisdictions may tend to show a concern about high growth targets developed for the RHNA because of the site and zoning requirements they face in the housing element update.

To overcome the inconsistency of household projections used for RHNA and RTP, California Senate Bill 12 introduces the concept of the integrated growth forecast to enhance the linkage of RHNA with RTP. The integrated growth forecast represents the most desired growth scenario for the Southern California region in the future and is designed to use for both housing planning and transportation planning.

The Blueprint program has ushered in a new era in California planning that values choices in transportation efficiency and environmental sustainability over the past practices that lacked these goals in both local and regional plans. SCAG's Compass Blueprint promotes civic engagement in transportation planning and provides a set of incentives and free planning services that support shared principles for future development and fostering innovative transportation and land-use planning.

The Growth Vision is driven by four key principles: mobility – getting where we want to go; livability – creating positive communities; prosperity – long-term health for the region; sustainability – preserving natural surroundings (SCAG, 2004). To realize these principles on the ground, the Growth Vision encourages: focusing growth in existing and emerging centers and along major transportation corridors; creating significant areas of mixed-use development and walkable communities; targeting growth around existing and planned transit stations; preserving existing open space and stable residential areas.

The idea behind the Compass Blueprint is to focus future development on just 2% of the land mass of the region, areas well served by transit, near employment centers and well suited to encourage pedestrian friendly growth. Mixed use, mixed income and mixed tenure building solutions are encouraged to help protect existing single family neighborhoods and prevent leap frog ex-urban growth. It's about evaluating choices and growth scenarios based on local input; it's about making the most of our transportation investments, and: partnerships and public participation. This is a voluntary, collective strategy for meeting mobility, housing, employment, air quality and green house gas emission challenges that beset our state and region (See Table 1).

Table 1. RHNA, RTP, and Compass Blueprint

	RHNA	RTP	Compass Blueprint
Time Frame	2006 – 2014	2003– 2035	2015 – 2035
Geography	City or unincorporated county	Transportation Analysis Zone (TAZ)	Transportation Analysis Zone (TAZ)
Process	SCAG determines, based on legally mandated process	RTP is a vision of future growth based on civic participation that guides regional transportation investments.	Compass Blueprint is a vision of future growth based on civic participation and is voluntary
Legal Mandate	State mandated	Federally mandated	Not mandated
Relation to General Plan	General Plan Housing Element is legally required and must be periodically updated every 5 years.	The current General Plan and local participation are the most important input in allocating shares of regional growth.	Informs General Plan and provides a suite of services and technical assistance to promote achievement of local long term goals consistent with the collective regional blueprint for future growth. It is a voluntary program.
Affordable Housing	Legally required to include an affordable	Does not include housing targets by income group.	Projects an inventory of housing supply but not an

	housing allocation		affordable housing allocation

3. The RHNA Process

3-1. Overview

The 2007 RHNA presented special challenges as a planning process. In addition to meeting very strict and specific timelines in State law, processes such as consulting/coordinating with the state Housing and Community Development Department (HCD) on the region's share of statewide housing need, submitting a special request to coordinate the growth forecast for RHNA with the forecast for the Regional Transportation Plan (State HCD has the discretion to reject the request, but did not), facilitating Regional Council discussion/debate regarding policy elements of the allocation plan (Fair share policy), and collaborating and surveying all 193 SCAG region local jurisdictions (6 unincorporated county areas are included) on data input, planning factors and methodology questions, conducting at least two public hearings, 14 subregional briefings and administrative hearings on proposed revisions and appeals - two additional strategic actions moved forward concurrently – development of a joint housing & transportation legislative proposal (origination of the California senate bill 12 Urgency bill requiring 2/3 vote for passage), and integrating RHNA as part of RTP growth forecasting process.

State housing law requires Council of Governments to consult and coordinate with HCD in determining the region's share of statewide housing need. HCD has the authority to determine the region's share of total state housing needs, and its breakdowns by income groups based on data from the latest census within certain parameters. HCD is also required to review the final adopted RHNA plan to determine the consistency with statutory requirements for identifying a regional need within a specified range approved in advance by State HCD for both the total need and its breakdown by income category. County and local governments may request revisions to their specific share of regional housing need up until the minimum level of regional market need set by HCD is met. They may also appeal their share of need in which case it must be proportionally re-allocated to all other jurisdictions. A revision results in proportional reallocation when collectively the region's total need falls below the HCD minimum. All these requirements and safeguards are well intended. But they present a burdensome set of standards to meet and coordinate for every level of government engaged in the process..

The California assembly bill 2158 also provides the foundation—the so called AB 2158 planning factors—for any region to look alternative ways in determining the housing allocation among their jurisdictions once the regional share of the state total housing needs is determined by the state Housing and Community Development Department (HCD).

3.2 RHNA Planning Factors
During the growth forecasting process and in the development of a housing allocation methodology, specifically, SCAG will consider the specific opportunities and constraints presented by jurisdictions that pertain to the AB 2158 planning considerations identified in state housing law for use in the Regional Housing Needs Assessment (RHNA) process. Local government and public Input is needed to determine which factors need to be more fully addressed, how the factors are to be used or considered, and whether they should be weighted for allocation purposes. The factors cannot be used to lower the regional housing need. Thus their purpose is to assign shares of the regional or subregional housing need between jurisdictions in a market area.

Moreover, the RHNA planning factors should only be incorporated in the allocation of housing

need if they are not adequately considered in the Integrated Growth Forecast or in the local and subregional input gathered in support of it. Since the purpose is to distribute housing need, the factors must be used to differentiate development suitability between jurisdictions in the 2006 to 2014 housing element planning period.

Some planning factors may be more suitable for use in a jurisdiction's local housing element or general plan than for regional or subregional allocation purposes. This is because the RHNA assigns housing need to a jurisdiction as a whole, and not to a specific place. For example, a factor might indicate a lack of development suitability in one part of a community, which may still be off set by development potential elsewhere in the jurisdiction. Local governments must balance housing growth with other local needs in assessing their suitability for future housing development collectively with other jurisdictions. The AB 2158 planning factors identified in the housing law are described below along with suggestions on how they may be addressed in an allocation methodology:

- Existing and projected job housing balance. Housing distributions should be related to employment centers and growth locations to reduce commutes; vehicle miles traveled congestion and improve housing availability, where appropriate. Each jurisdictions projected share of employment could be used as a basis for adjusting housing allocations, especially when there is a mismatch between residential development expected and employment growth across a region or subregion.
- Lack of sewer or water service due to federal and state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period. This factor may be difficult to use in an allocation methodology designed to determine shares of housing need between communities. It is a physical / fiscal constraint that temporarily curbs growth potential and may be difficult to distinguish from growth caps that are prohibited by the housing statute. As an allocation factor it could be used in conjunction with a developable land measure.
- The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. This type of consideration is usually provided through local and subregional input into the regional growth forecast. This factor may also be used in conjunction with a developable land measure.
- Lands preserved or protected from urban development under existing federal and state programs, or both, designed to protect open space, farmland, environmental habitats, and natural resources on a long-term basis. This is a primary input and consideration in the regional growth forecast and is incorporated in potential desegregations.
- County policies to preserve agricultural land within an unincorporated area. The protection of prime agricultural land is also a prime consideration in the regional growth forecast as a non-desegregation factor. The regional growth forecast basis itself on subregional and local input on where growth should and should not occur. This land use input is incorporated into the regional growth forecast.
- The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure. This factor is addressed through the integrated growth forecast for the Regional Transportation Plan and Compass Blueprint or growth vision. It is the basis for all regional plans, including the RHNA.

- The loss of units contained in assisted housing developments. This is a local planning consideration which affects the proportion of affordable housing needed within a jurisdiction. However, SCAG has prepared detailed projections of units at risk of conversion from subsidized affordable housing to market rate housing for both expiring federal Section 8 projects and federal and state Low Income Housing Tax Credit projects so communities may see the collective impact of such conversions over the local housing element planning period.
- The market demand for housing. The housing statute calls for all jurisdictions to receive a housing allocation. The market demand for housing is considered as a function of population and employment growth in the regional growth forecast and local input.
- Agreements between a county and cities in a county to direct growth toward incorporated areas of the county. The growth input agreed upon by a county and cities is incorporated into the regional growth forecast.
- High housing costs burdens. An allocation factor could assign more housing to high housing cost jurisdictions relative to lower housing cost jurisdictions based on the regional or county average housing cost.
- Housing needs of farm workers. In addressing the needs of farm workers, a subregional rather than a regional factor should be considered because farm worker housing needs are concentrated geographically and across farm communities in specific SCAG region counties and sub areas.
- Other considerations as adopted by SCAG. Other factors beyond those in the RHNA housing statute may be considered by SCAG and suggestions are welcome.

The use of AB 2158 planning factors will ensure more local input in the housing allocation process and allow for local circumstances to be addressed. However, according to existing housing law, a jurisdiction cannot justify a determination or reduction in its share of housing allocation using any ordinance, policy, or voter-approved measure of a city or county that directly limits the number of residential building permits issued by a city or county. Finally, as stated earlier the SB 12[1] allows SCAG to develop RHNA, collect, and incorporate the AB 2158 planning factors through a series of 14 public workshops rather than through the survey process. In addition, SB 12 also establishes a two-request opportunity for local jurisdiction to seek reductions in proposed draft housing needs allocation: revision request—based on growth forecasting methodology; and appeals request—based on AB 2158 planning factors. The major difference between revision and appeal requests is that there is no need for redistribution of any successful revision request as long as regional total housing need after adjustment for revisions remains higher or equal to regional housing share assigned by HCD, while there is a mandatory requirement of redistributing all successful appealed units among all non-delegated jurisdictions.

Thus to a large extent the first leg of the 2008 RTP forecasting process—growth between 2006 and 2014—is the starting point for the SCAG region 2006-2014 RHNA planning process. With the application of the RTP growth forecasting covering the RHNA process in mind, SCAG management and staff initiate the process from focusing on bottom-up and full collaboration with all subregions/local jurisdictions.

In February 2005, SCAG's Community, Economic and Human Development Committee (CEHD) approved and directed staff to proceed with the 2008 RTP Growth Forecast Update Process,

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[1] SB 12 RHNA Pilot Program Legislation signed by Gov. Schwarzenegger on April 10, 2007, was introduced by Senator Lowenthal on December 4, 2006. According to SCAG internal record, the first official discussion about refining concept of developing a joint housing & transportation legislative proposal was occurred on December 8, 2005.

known as the 2008 Integrated Growth Forecasting process for the 2008 RTP/EIR/RHNA and Compass Blueprint. SCAG's Plans & Programs Technical Task Force (P&P TAC) also assisted in the process by providing technical and policy input. Policy Committees of the Regional Council were periodically informed of progress and provided direction to the process. The 2008 Integrated Growth Forecast/2008 RHNA process involved the following seven steps (See Figure 1). The first step entailed an analysis of recent regional growth trends and the collection of significant local plan updates. The second step involved the review and update of the 2004 regional growth forecast methodology used as part of SCAG's 2004 Regional Transportation Plan and key assumptions. The widely used methodology included the cohort-component method and the shift-share method. The key technical assumptions included updates regarding the fertility rate, mortality rate, net immigration, domestic in-migration, domestic out-migration, labor force participation rates, double jobbing rates, unemployment rates, and headship rates. At the local level, SCAG has adopted growth parameters to ensure consistency between job, population, and household growth. All local updates, when aggregated to the County or Subregional level, must maintain a reasonable relationship between households, jobs, and population over the base year, past trends, and the forecast horizon. The third step is to assess a review and update of existing regional growth policies and strategies, including Compass Blueprint strategies, economic growth initiatives, Goods Movement strategies, etc. Relevant analysis also included general plan capacity analysis, demonstration projects, regional growth principles, polling and focus groups, and public workshops. The fourth step is to develop and evaluate the draft regional Integrated Growth Forecast scenarios with small area distributions. Regional growth forecast scenarios are developed and allocated into the smaller geographic levels using public workshops. The small area distributions of the regional growth are evaluated using transportation and emission modeling results and environmental impact review. The fifth step is to select and adopt a preferred regional growth forecast. A regional growth scenario with selected small area distributions is developed using transportation and environmental performance measures. The sixth step is to convert household forecast into housing needs using replacement rates from the California Department of Finance, and county level vacancy rates, by weighing vacancy rates of for-sale and for-rent units. The seventh and last step is to determine the local share of total regional housing need by income category.
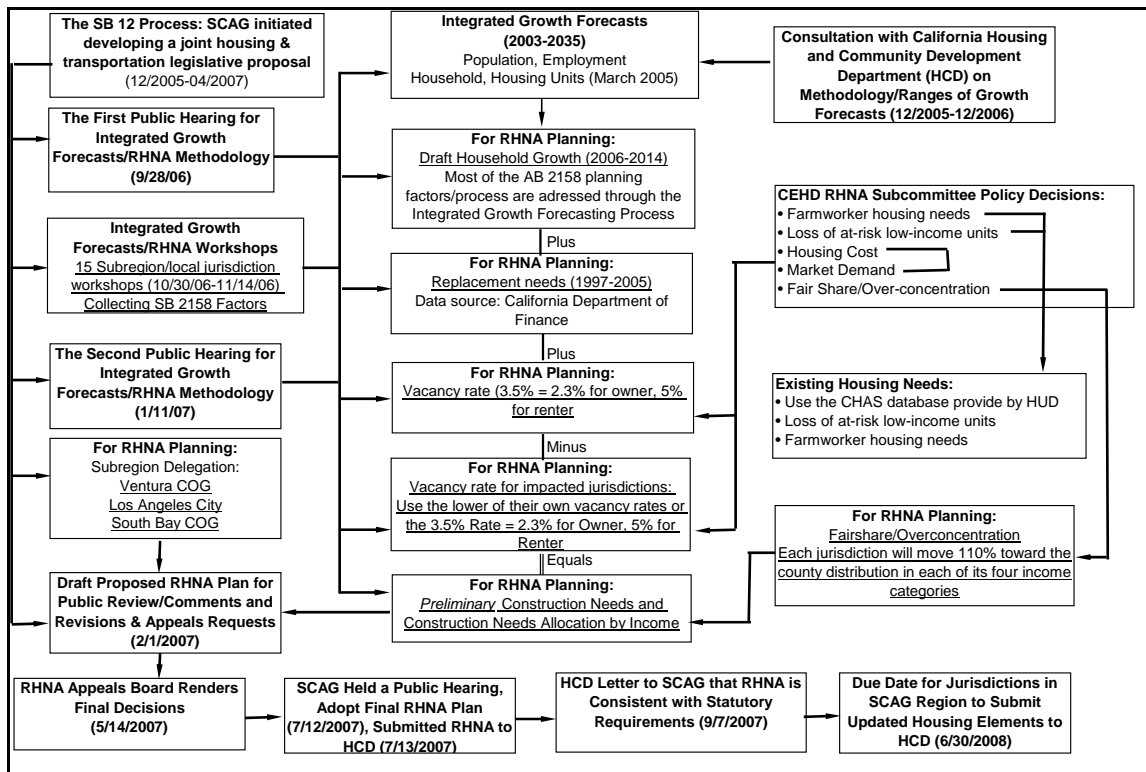
Figure 1. 2008 RTP Integrated Growth Forecasting/RHNA Process

3-3 Revisions/Appeals and Responses

Total 36 local jurisdictions showed a concern about their housing needs allocation, in particular, household growth during the RHNA planning period (pre revisions/appeals period). In some cases the long term household projection was pronounced logical, but the short term projection gave cities pause. In other cases, both projections were too high. Slow historical growth trends or AB 2158 planning factors were often used to request SCAG to reduce the preliminary household projections. Nearly 60% of 36 cities, which submitted input on their household growth at the public workshops, were granted a reduction of the short term household growth after staff review. The key criteria for reducing local household growth are the local share of projected county household growth and AB2158 planning factors.

The "reference" local share of projected county household growth can be easily determined once the base period is selected. There is no clear and definite answer to the question of the desirable base period. Given the projection horizon of nearly ten years, the reasonable base period would be the recent ten years (Smith et al, 2001). The operational reference local share is based on the average of local share of the county household growth for the recent five year period or the recent fifteen year period. If the reference local share is lower than input from local jurisdictions, the proposed household growth is reduced by the difference. In contrast to the relatively objective nature of the local share approach, AB 2158 planning factors tend to be subjective and hard to be quantified. A professional planning analysis was made to assess the implications of 2158 factors on housing constraints

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The RHNA Appeals Board concluded its Public Hearings and meetings, and finalized its written decisions, with the assistance of legal counsel, on revision requests and appeals for the SCAG region areas that were not delegated. There were 48 jurisdictions filing Revision Request and/or Appeals (See Figure 1 and Table 3). Revisions proposed totaled 17,037 units and Appeals totaled

36,427 units. Most appeals and revision requests were issued by local jurisdictions in Los Angeles county, followed by Orange county (See Table 3). Over 50% of the cities in the San Gabriel subregion and nearly 40% of cities in the Gateway Cities COG subregion filed revisions requests and appeals, while there were no Revision Requests and Appeals submitted in the Los Angeles/ San Fernando and the Ventura Council of Governments delegated Subregions.
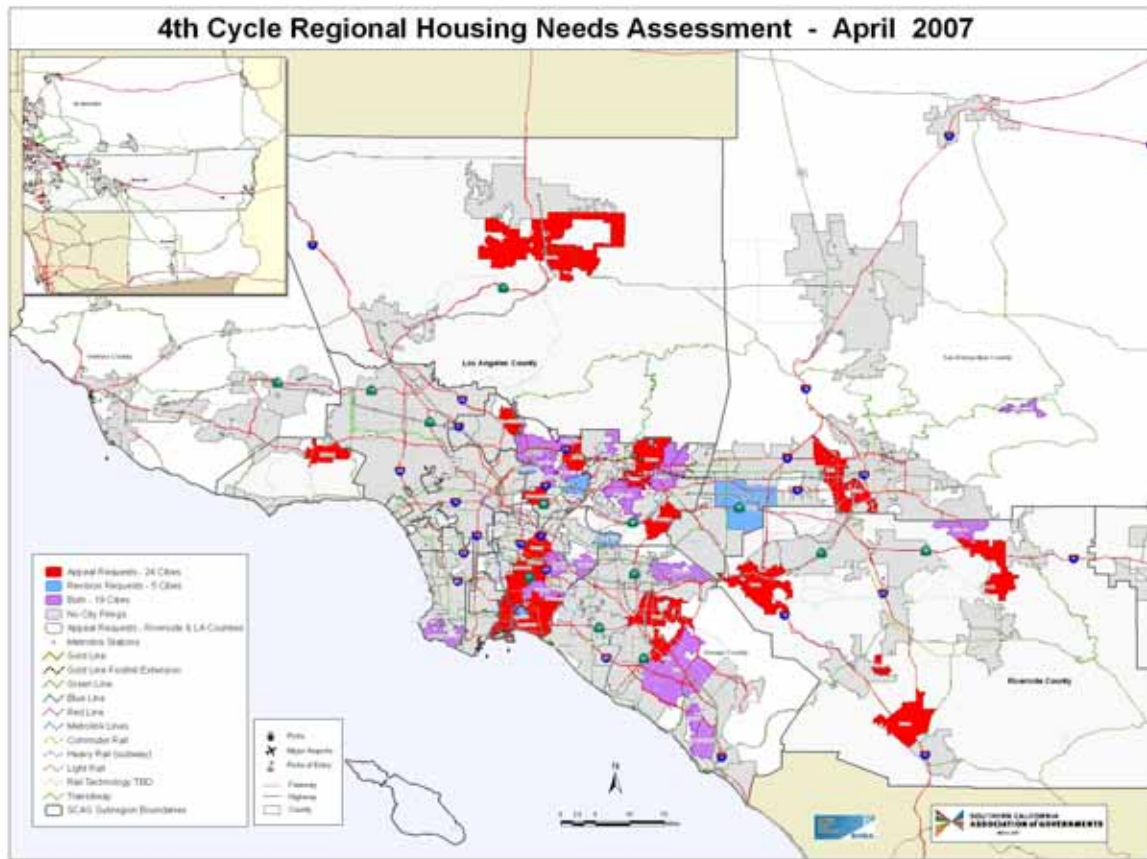

Figure 2. Jurisdictions Making Revisions/Appeals Requests

Table 3. Geographical Distribution of Revisions/Appeals Requests

County	Number of Jurisdictions	Number of Jurisdictions Making Revisions/Appeals Requests	% Jurisdictions Making Revisions/Appeals Requests
Imperial	8	0	0%
Los Angeles	89	31	35%
Orange	35	8	23%
Riverside	25	5	20%
San Bernardino	25	4	16%
Ventura	11	0	0%
SCAG Region	193	48	25%

Note: Jurisdictions include city and county.

Twelve cities (including Los Angeles county) of forty eight jurisdictions in the SCAG region got approval of requested revisions and appeals by The RHNA Appeals Board. The success rate of local jurisdictions in Los Angeles county was 32%, which is a little higher than 25% of the region wide success rate (See Table 4).

Multiple reasons for appeals requests are provided by appealed local jurisdictions, while revisions request can be based on only one reason, the RHNA Methodology. Top three most popular reasons for appeals include AB 2158 (3): the availability of land suitable for urban development (23%), AB 2158 (2): lack of capacity for sewer or water service due to federal and state laws, regulations or regulatory actions (17%), AB 2158 (4): lands preserved or protected from urban development under existing federal and state programs (13%). Among these AB 2158 planning factors, AB 2158 (4) and AB 2158 (3) show the highest success rates of appeals of 38% and 21%, respectively (See Table 5).

The RHNA Appeals Board recommends approval of 7,851 units in Revision Requests which would adjust the total Regional Housing Need to 699,368 units after accounting for The South Bay Council of Governments approval of one revision request totaling 30 units. The RHNA Appeals Board for the SCAG non-delegated areas also approved 4,736 Appealed units. These units were reallocated proportionally throughout the area in a manner consistent with the approved Regional Council Appeals Procedure adopted on February 1, 2007. The proposed reallocation in the SCAG Delegated area would raise each jurisdiction's RHNA total need by .876%. The South Bay Council of Governments approved one revision request totaling 30 units. This revision was subtracted from its subregional total. Proposed Alternative Distributions of Appealed Units and Trade and Transfer Requests from throughout the region were accepted up to July 5, 2007 for inclusion in the Final RHNA subject to Regional Council approval.

Table 4 Success Rates of Revisions/Appeals

County	Number of Revisions/Appealed Jurisdictions	Number of Successful Revisions/Appeals	% Success of Revisions/Appeals
Imperial	0	0	0%
Los Angeles	31	10	32%
Orange	8	1	13%
Riverside	5	0	0%
San Bernardino	4	1	25%
Ventura	0	0	0%
SCAG Region	48	12	25%

Note: Jurisdictions include city and county.

Table 5. Reasons for Revisions/Appeals Requests

Reasons for Revisions/Appeals*	Reasons for Revisions/Appeals Requests		% Successful Revisions/Appeals	
Methodology	16	13%	4	25%
AB2158 (1)	10	8%	2	20%
AB2158 (2)	21	17%	3	14%
AB2158 (3)	29	23%	6	21%
AB2158 (4)	16	13%	6	38%
AB2158 (5)	0	0%	0	0%
AB2158 (6)	5	4%	0	0%
AB2158 (7)	11	9%	2	18%
AB2158 (8)	1	1%	0	0%
AB2158 (9)	1	1%	0	0%
AB2158 (10)	10	8%	1	10%
AB2158 (11)	0	0%	0	0%
AB2158 (12)	0	0%	0	0%
AB2158 (13)	0	0%	0	0%
Change of Circumstances	6	5%	1	17%
Total	126	100%	25	20%

Note: * Revisions request can be made only if the preliminary city allocations are based on the unreasonable RHNA Methodology, while appeals can be made using 13 AB2158 planning factors and change of circumstances (See Appendix 2 for a list of AB 2158 planning factors).

4. Methodologies and Policy Decisions

4-1. Methodologies
As was indicated in SB12, "initial" total housing needs of local jurisdictions are derived by considering household growth (2005-2014), vacancy needs (based on 2000 census), and replacement needs (based on housing demolition data between 1997 and 2005 from California Department of Finance) (See Table 6). HCD rendered its final determination of SCAG region housing need in the range between 687,000 and 733,000, and breakdowns by income group for the period January 2006 through June 30, 2004 in December 2006.   The lower range primarily reflects the 6-month (7/2005 to 12/2005) credit in building permits issued in the SCAG region (46,000). Total housing needs are further disaggregated into four income categories: very low, low, moderate, and above moderate.

Table 6. Conversion of Household Growth to Housing Construction Need

	2005-2014 Household Growth	Vacant Units Need (Census Vacancy Rate=2.7%)	Replacement Need (100% of DOF demolition permits)	2005-2014 Total Housing Construction Need	Annual Housing Construction Need
SCAG 2008 Draft RTP Growth Forecast	684,318	18,989	29,403	732,710	81,412

  Note: 1) Replacement is based on the nine-year average between 1997-2005 of demolition permits reported to CA DOF.

The local share of the regional housing needs is determined using two step process. The first step is to calculate the local housing needs allocation by adding three major components: household growth, vacancy need, and replacement need. While household growth is projected using the widely used projection techniques and extensive local input, vacancy need and replacement need are estimated through policy decisions adopted by the SCAG regional council. Vacancy need is

built on the concept that vacancies serve an important function in a community's housing market (SCAG, 1999). In brief, a certain number of vacant units are needed in the housing market to promote residential choice, moderate cost of units, and provide sufficient incentive for unit upkeep and repair. SCAG assigns a vacancy need equal to the net difference between the normal or ideal rate and the current number. Replacement need is built on the concept that a certain number of housing units are needed to replace those lost due to demolition, conversion to non-residential use, or natural disaster. The replacement need is estimated using the past trends in demolition permits for each jurisdiction between 1997 and 2005. The second step is to estimate the fair local share of the regional housing needs allocation by the income category. The fair share estimation is to assign future housing needs to the various income categories in a manner that meets the state mandate to reduce the impaction of lower income households in one community versus another community. The method derives future goals for each community by moving the existing income distribution closer toward the regional average.

4-2. Policy Decisions

4-2-1. Fair Share Targets
California housing law establishes the definition of four household income groups used by communities in the RHNA process. It is based on a percentage relationship to the median household income in each county from the latest census: Very Low (0-50%), Low (51-80%), Moderate (81-120%) and Above Moderate (more than 120%). It then establishes a goal of moving every local jurisdiction toward the county percentage of households in each category in order to promote housing diversity and avoid the over concentration of any one income group in any one community. SCAG policy is to move each jurisdiction 110% of the way towards the county income distribution for each of the defined income categories.

The adoption of a 110% Fair Share Policy was a departure from past practices that moved jurisdiction from 25% to 75% of the way toward the County Average, and represents the boldest social equity policy yet adopted for SCAG's RHNA Plan. Fair Share and Social Equity Policies are designed to avoid the over concentration of households by income group, by way of a 110% of the way adjustment toward the county median income distribution applied against future growth except in impacted communities providing a disproportionately high share of lower income housing.

Table 7 demonstrates how to adjust the fair share allocation of local housing needs by income category utilizing approved 110% fair share adjustment. Each jurisdiction will move 110% towards the county distribution in each of its four income categories. For example, based on county median household income in 2000 Census, a jurisdiction's income distribution is Very low (29.5%), Low (16.8%), Moderate (16.6%), Above moderate (37.1%), while the county distribution is Very low (24.7%), Low (15.7%), Moderate (17.1%), Above moderate (42.6%). The local share of housing needs for very low income households is 29.5%, which is 4.8% higher than that of the County. After multiplying the original difference of 4.8% by 110%, the adjusted difference becomes 5.3%. If 5.3% is subtracted from 29.5%, which is the original local share of housing needs for very low income households, the adjusted fair share of very low income housing needs is 24.2%. The same calculation procedure is repeated to produce the adjusted local share of housing needs for three other categories' households.

Table 7 Adjusted Fair Share Allocation of Local Housing Needs by Income Category

Income Category	County	City	City adjusted
Very low	24.7%	29.5%	29.5% - (29.5% - 24.7%) x 110%= 24.2%
Low	15.7%	16.8%	16.8% - (16.8% - 15.7%) x 110% = 15.6%
Moderate	17.1%	16.6%	16.6% - (16.6% - 17.1%) x 110% = 17.1%
Above moderate	42.6%	37.1%	37.1% - (37.1% - 42.6%) x 110% = 43.1%
Total	100.0%	100.0%	100.0%

4-2-2. Ideal Vacancy Rates and Replacement Rates

Household projection is transformed into housing construction needs by considering current and future vacant unit needs and replacement needs. We might ask a question of why we need to secure the certain amount of vacant units in the housing market. The major reason is to facilitate the free movement of population and choice of reasonable alternatives (Nelson, 2004). The reasonable amount of vacant units in the housing market plays a big role in stabilizing the housing price across the region. There is no clear cut standard for the normal vacancy rate. The following is a range of vacancy rate assumptions by tenure used in many states and other agencies in the USA (Nelson, 2004) (See Table 8). U.S. Federal Housing Administration guideline suggests a flexible standard linked with annual growth rates of households. The similar approach was applied to estimate the normal vacant units in Southern California (Myers, 1993; Carreras and Choi, 1993).

Table 8. Vacancy Rate Assumptions

Source	Owner	Renter
State of California [a]	2.00%	6.00%
State of Florida [b]	3.00%	8.00%
State of New Jersey [c]	2.50%	8.00%
State of Oregon [d]	1.75%-2.00%	5.00%-6.00%
Readings in Market Research for Real Estate [e]	4.00%	7.00%
Federal Housing Administration [f]	5%+ Annual Growth 1.50%-2.00% 1%-5% Annual Growth 1.00%-1.50% Below 1% Annual Growth <1.00%	5%+ Annual Growth 6.00%-8.00% 1%-5% Annual Growth 4.00%-6.00% Below 1% Annual Growth <4.00%

a. Office of Planning and Research (1978), p.67
b. Florida Department of Community Affairs (1987), p.35
c. New Jersey Department of Community Affairs (1991), p. 183.
d. Housing Division (undated, circa 1985)
e. Singler (1985), pp. 92-03; Readings in Marker Research for Real Estate, pp. 85-101.
f. Federal Housing Administration (undated)
Source: Nelson, AC (2004), *Planner's Estimating Guide Projecting Land-Use and Facility Needs.* Planners Press, American Planning Association. p.25, Chicago.

If the current number of vacant units is less than the normal number of vacant units, the current housing demand is stronger than the current housing supply. In the future, the additional housing supply for more vacant units needs to be available to meet the expected housing demand.

The Community Economic and Human Development (CEHD) Committee approved the recommendation by the RHNA Subcommittee to assign more housing to high housing cost jurisdictions relative to lower cost jurisdictions based on vacancy rate differentials as recommended by the RHNA Subcommittee. The recommendation is to use the regional vacancy rate of 3.5% (HCD Low scenario), broken down by renter and owner-status, across all jurisdictions to adjust the future vacant unit need, with special adjustments for impacted communities with a high concentration of low income households. For these impacted communities, the lower of the Census vacancy rate or the 3.5% vacancy rate will be used. Collectively, this approach regarding the high housing cost burden will modestly increase housing stock in low vacancy, high housing cost communities versus other jurisdictions, and is based upon an ideal healthy market vacancy adjustment consistent with the State HCD low scenario, which assumes an ownership vacancy rate of 2.3% and a renter vacancy rate of 5%.

The 3.5% ideal "healthy" market vacancy policy provide for relatively more affordable housing opportunities in higher income communities that do not have high numbers of lower income households compared to the County average. This adjustment is not made for communities that house more than their proportionate fair share of lower income households and does not apply to communities with a disproportionately high number of lower income families and households.

While the need for housing construction is driven primarily by the demand generated by economic and demographic movements of households, the pace of housing removals also influences the need. Units may deteriorate with age, reach functional obsolescence, or changing local market conditions may lead to the removal and replacement of existing housing supplies (California Department of Housing and Community Development, 1999). A certain percentage of housing units are removed from the inventory due to fire, natural disasters, and obsolescence due principally to aging (Nelson, 2004). Some housing units are converted into other non-residential uses. We estimate the replacement needs using a normal demolition rate. The simple trend extrapolation might be a useful method to project replacement needs. The CEHD approved to assign the annual average of lost units occurred between 1995 and 2004 to each year of the RHNA planning period.

4-2-3. Median Income: Region versus County
Southern California Association of Governments is committed to assisting jurisdictions comply with state housing law. One benchmark frequently used when determining a jurisdiction's housing allocation, countywide median income, is required by current housing law. Recent discussions have questioned the effectiveness of using a countywide median income to determine local allocations and call for the methodology to utilize the regional median income instead. The Association of Bay Area Governments (ABAG) in northern California received approval to use a regional median income in its fair share calculations, even though the county median income is specified as the benchmark in fair share calculations. California Government Code Section 65584 (d)(4) states:

> "Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent decennial United States census."

Previous RHNA cycles under earlier housing law allowed the council of governments to decide whether to use a region-wide or countywide threshold. However, because the existing statute explicitly refers to Subdivision (d) of Section 65584, a change to using a region-wide median income benchmark would require substantive reform and new legislation to change state housing law.

There are two major advantages of using a countywide median income. First, a countywide median income, unlike a region-wide income threshold, takes into account differing costs of living and housing between counties. Due to SCAG's diverse range of income distributions across its far flung region, this approach would better address local needs than a uniform region-wide number. Second, a countywide threshold is consistent with state and federal procedures for establishing income eligibility for assisted housing programs and in defining existing and future needs. This in turn reduces the administrative burden on communities that are required to meet California state housing requirements. The major disadvantage of using a countywide median income is to use different thresholds for housing allocation does not allow a convenient affordability comparison to other regions outside of Southern California. It would be difficult to gauge the region as a whole when evaluating housing costs and indices throughout the state and nation.

There are also advantages of using a region-wide median income. First, using a region-wide number would reflect the fact that SCAG comprises a regional transportation network and housing market. Second, a region-wide median income threshold takes into account the housing cost differentials of commuters who cross county boundaries on a daily basis, creating in effect, commute and housing sheds. Third, it would allow for a uniform comparison between counties with no need for sub-market adjustments. For commuters who reside inland but commute to coastal areas, the use of a region-wide median income would treat cross-regional residents at the edge of counties equally. A region-wide benchmark attempts to overcome county-level differences in income to create a more equitable distribution region-wide and definition of what counts as an "affordable" housing unit. Fourth, a region-wide threshold would call for greater fair share adjustment/impaction avoidance in order to equalize the distribution of households by income group. Current recommended RHNA policies are sufficiently high for impaction avoidance.

A region-wide median income approach also presents disadvantages. First, a uniform approach across the region would perpetuate the over-concentration of the region's lower income populations in certain communities unless there is a significant fair share adjustment such as the one that it now proposed. Second, the SCAG region covers a diverse range of communities, different costs of living, and different lifestyle preferences. A region-wide income benchmark would not adequately reflect local planning circumstances since the benchmark is simply a collaborated average that does not take into consideration marked differences in cost of living and housing between coastal, inland, and non-metro areas. Third, historical census data does not seem to conclude (support) that using a regional median income is the effective—not even a relevant—way to correct the trends costal counties take advantage of low cost inland housing to meet their affordable housing needs, and to address the job/housing imbalance which are major causes of congestion, delay, and air quality concerns. Fourth, this approach also tends to overstate the number of households in lower income categories in non-metro and inland, high desert areas because the cost of living and housing is relatively low versus other areas. Conversely, it understates needs in high cost coastal areas because the cost of living and wages are higher versus other areas. Fifth, affordable housing targets will be higher for communities and counties with median incomes below the regional median, thus assigning more initial need where it is already concentrated.

While SCAG acknowledges the merits and trade offs of using a region-wide median income, SCAG decided to use a countywide median income as the threshold for determining fair share goals.

5. Demographic Projections: Accuracy vs. Consensus

5.1 Accuracy
There are three components of the future housing construction needs during the planning period: household growth, vacancy need, and replacement need. Household growth is the most important component of three components. Household growth usually comprises more than 90% of the housing construction needs for a community.

Although accuracy is one of the most important criteria for assessing the quality of household projections, it is difficult to measure because many factors influence future household growth and formation. These influences may be grouped as demographic trends (headship rates), including Immigration, and employments trends and change, and include even the lack of housing supply in the face of population growth. A basic way of measuring the accuracy of SCAG's household projections is to compare it to older projections made in the past.

The accuracy test has been widely performed for the different projection methods, projection horizons, and geographical levels in the field of population projections (Smith et al, 2001; 2007). The general findings of the accuracy of population projections are: the complicated projection method including the cohort-component method may not produce more accurate population projections than the simple trend extrapolation method, the long term population projections may be more inaccurate than the short term population projections, and small area population projections may be more inaccurate than large area population projections.

SCAG has updated the regional population projections every three or four years since the early 1970s. The SCAG regional population projections are found reasonable from the accuracy perspective. The accuracy of regional population projections in the past is assessed by using the Mean Absolute Percentage Error (MAPE) and the Mean Algebraic Percentage Error (MALPE). As indicated in table 9, the regional population projections for different projection horizons are within a reasonable range of actual population estimates (Smith et al, 2001).

Table 9. Forecasting Accuracy of SCAG Regional Population Projections: Mean Absolute Percentage Errors (MAPE) and Mean Algebraic Percentage Error (MALPE)

	Projection Horizon			
	5 year	10 year	15 year	20 year
MAPE	4%	6%	12%	14%
MALPE	-2%	-5%	-12%	-14%
Number of Positive Algebraic Percentage Errors	3	1	0	0
Observations	8	7	5	4

Note: MAPE = Average [ABS (Projected - Estimated) / Estimated] * 100,
MALPE = Average [(Projected - Estimated) / Estimated] *100
Sources: SCAG90 (adopted in 1972), D/E 2a (adopted in 1974),
SCAG, SCAG-76 growth forecast policy, Jan 1976 (adopted in December 1975),
SCAG, SCAG78 growth forecast policy (adopted in January 1979),
SCAG, SCAG82 growth forecasst policy (adopted in October 1982),
SCAG, growth management plan (adopted in February 1989),
SCAG, growth forecast (adopted in June 1994),
SCAG, growth forecast (adopted in April 1998)

The population projections of the smaller areas including cities and census tracts are hard to be assessed due to the changing boundaries over time. The growing cities might show a larger population by annexing the neighboring county unincorporated areas. Since historical population data of the annexed areas are not available, the observed historical trends of city level population might overestimate the real growth pattern of the city's population.

5.2 Household Projections: Methodologies and Assumptions
Household projections have started in a host of European and American countries since 1950, as response to an increasing demand from the post-war reconstruction and national economic and housing development planning (Kono, 1987; United Nations, 1968). SCAG projects regional (county) households by using the projected headship rate. The headship rate method has advantage of being simple and operational, and requires minimal data (Plane & Rogerson, 1994). The headship rate is calculated by dividing household heads in each group (age, sex, and race/ethnicity) by the population in that specific group. Headship rate is projected in 5 year intervals for each sex (male and female), seven age groups (for instance,15-24, 25-34, 35-44, 45-54, 55-64, 65-74, 75+), and four mutually exclusive ethnic groups: Hispanic, Non-Hispanic (NH) White, NH Black, NH Asian and Others. The method is based on the assumption that the number of households is generally determined by the age, sex, and racial/ethnic composition of population, which is also affected by past change in fertility, mortality, and migration. The past demographic changes are indirectly reflected in the headship rate method. This method produces reasonable household projections (Kono, 1987).

The key discussion during the regional household projection process is generally focused on developing the "core assumptions" of the headship rate. The core assumptions above are major determinants of the forecast accuracy (Ascher, 1978). The assumptions of the future headship rates are developed using four categories of techniques: trend extrapolation, cohort approach, regression, normative approach (Kim, 2001; Kono, 1987; United Nations, 1973 & 1993; Myers et al, 2002; California Department of Housing and Community Development, 2000). The first two approaches are widely used and briefly discussed here. The extrapolation methods are characterized by the assumption that future headship rate is determined by its past trends. There are many ways of measuring the past trends and project them into the future. They include judgmental extrapolation, curve fitting, log regression, linear regression and time series analysis (Kim, 2001). The constant headship rate can be classified as one of trend extrapolation methods. The cohort approach allows the generational differences in headship rate to carry forward, while allowing for normal life-course changes as each generation ages (Myers et al, 2002). The cohort approach is found useful when changes in headship rates are rapid among the young population and when the size of a certain cohort is quite different from the adjacent cohorts immediately before and after, as embodied in the post-war baby boomers (Kim, 2001; United Nations, 1993). Since the historical trends in the headship rate are oftentimes instable (Myers et al, 2002), the trend extrapolation might produce inaccurate household projections.

The assumptions of the SCAG regional household headship rate are generally based on either the trend extrapolation or the normative perspective. For example, following the historical trends, the overall male household headship rate is assumed to decrease during the projection horizon, while the overall female household headship rate is assumed to increase. However, the projected gap in the racial/ethnic specific headship rate between NH White and other minority groups is based not on the historical trend but on the normative linear assimilation of minority headship rate. According to the linear assimilation theory, the gap in the headship rate between NH White and other two racial/ethnic groups (NH Asian and Others and Hispanic) will get smaller during the projection horizon. NH Asian and Others' household headship rate is assumed to converge

towards the NH White household headship rate by 50 percent of the difference from the 2000 Census NH White headship rate. Hispanic household headship rate is assumed to converge towards the NH White household headship rate by 25 percent of the difference from the 2000 Census NH White headship rate.

At the city level, households are projected by extrapolating the past trends of households. The methodology for developing household projection is a constrained extrapolation using stochastic simulation (Sweeney, 2003). It is found that the exponential growth provides the best fit to the historical data and provides the most plausible projection year values. Experimentation with the simulation also indicates that 10,000 simulated values produce stable projection estimates. The input data series can include up to 21 observations by combining information from the California Department of Finance E-5 series with enumeration-based values from the 1980, 1990, and 2000 censuses. The model parameters are estimated using the 21 observation series for each city.

5.3 Consensus
The process-oriented, collaborative approach toward developing the core demographic and socioeconomic assumptions is used by SCAG to come up with a consensus on headship rates and household projections.

The development of assumptions of a future headship rate or future household growth curve is driven by a principle of collaboration between SCAG, subregions, local jurisdictions, county transportation commissions, and other major stakeholders throughout the region. The Plans & Programs Technical Advisory Committee (P&P TAC) assists in the process by providing technical input; Policy Committees of the Regional Council are periodically informed of progress and provide direction to the program through the actions they take. An organized household projection making process is required to develop a consensus regional growth forecast in an efficient, fair, and open manner. Those involved in the household projection process to build consensus include: a panel of forecasting experts, subregions, local workshops, stakeholders, data users and researchers, technical committees, policy committees, and the Regional Council.

5.4 Local Survey
SCAG relies on local jurisdictions to update socioeconomic estimates and forecast at the small area level. The updated zoning and general plan of each jurisdiction play a key role in adjusting the current small area growth forecast. In April 2005, SCAG sent out a letter requesting assistance from local jurisdictions to get updated land use and development information for developing the 2008 RTP integrated growth forecast. SCAG made adjustments to the existing small area estimates and forecast, as the updated information was submitted by local jurisdictions. The updated information includes land use change, approval of regionally significant development projects unknown in 2002, update of general plans or specific plans since 2002 change of zoning standards, or revision of build-out capacities. Local input reflecting the perspectives of local planners is used to refine the future growth curve of households.

5.5 Panel of Experts
A Panel of Experts reviewed SCAG's household projection methodology, assumptions, and results twice. The panel indicated that the demographics, from the success of 2nd and 3rd generation immigrants and the associated positive changes in their socioeconomic status could have large impacts on household formation and housing demand. The panel included public university and private experts in demographics and economics from around the region and the nation.

5.6 Workshops

A set of 15 integrated growth forecast workshops were completed, one in each of the SCAG subregions. The workshops garnered participation from approximately 85% of local jurisdictions, with planning directors and their staff providing input on the integrated growth forecast being developed for the RTP as well as the RHNA (with over 400 participants representing 157 cities and 6 counties within the SCAG region). Workshops were structured in two parts: the first centered on garnering input on the forecast as related to the RTP, while the second focused on the RHNA and specifically the 2158 planning factors as they pertain to individual jurisdictions. Participants are offered feedback and revisions to the Compass 2% Opportunity Areas identified during the 2004 RTP development workshop period.

5.7 AB 2158 Planning Factors
Consideration of several local AB 2158 planning factors has been incorporated in the draft Integrated Growth Forecast by way of analysis of aerial land use data, employment and job growth data from the ES202 data base, Census Transportation Planning Package data, general plan, parcel level property data from tax assessor's office, building permit, demolition data and forecast surveys distributed to local jurisdictions.

However, because the draft Integrated Growth Forecast arguably does not adequately address some of the AB 2158 factors, such as loss of units contained in assisted housing developments, high housing costs burdens, and the housing needs for farm workers, the allocation methodology will depend on the outcome of policy recommendations of SCAG's CEHD RHNA Subcommittee, which will be subject to review and approval by SCAG's Regional Council. In addition, the allocation methodology is dependent on obtaining additional information from local jurisdictions regarding the AB 2158 factors as a result of the subregional workshops. Planning factors not adequately incorporated in the integrated growth forecasting process may be addressed by adding data and/or statistics from 2000 Census to the "existing needs" portion of the RHNA, or through application of policy recommendations.

6.   Lessons Learned and Future Directions

6-1. Lessons Learned
There are many criticisms from all sides, local jurisdictions, MPOs, state agencies, and academies, about the RHNA and its effectiveness in producing housing, particularly affordable housing. Nevertheless, RHNA has been with us for a while, and most people are expecting to engage another RHNA update once the current planning period ends in June of 2014. Thus, why RHNA? What are the issues/challenges/opportunities? How can we collectively do a better job next time?

Why RHNA?
Facing all RHNA criticisms, all parties involved in the process will agree that the RHNA processes at least accomplishes one thing: it brings many diverse interests in the development process together and engages them in a public discourse on current and future housing planning issues and challenges. This broad based public debate would not occur with the frequency and fervor it does today without the State Housing law and its fair share requirements.

Housing Production, Preservation, and Existing Housing Needs.
The primary focus of RHNA is on planning for future needs as a way of addressing existing and future housing availability, affordability and adequacy problems. While much emphasis is placed on addressing affordable housing problems related to future housing production through site and zoning requirements for housing diversity by building type, more urgent issues surrounding existing housing maintenance and rehabilitation and preservation of at-risk affordable housing units, are swamped by the concerns about future targets for new development.. All above issues

have been treated lightly in the RHNA process except in SCAG's 1999 RHNA. For example, housing problems associated with existing people and housing stocks, including poor design, sub-standard housing—units with problems (need repair/maintenance, rehabilitation, etc.), over-payment, over-crowding, and homeless are treated with just making HUD-processed Census data/statistics available to all local jurisdictions, without any discussion, debate and policy options.

Secondly, many jurisdictions expressed concern about affordable housing production: namely, its adequate financing, available government pool of resources, and the preservation of affordable units at-risk of converting from subsidized to market-rate housing. Underlying this concern were fiscalization of land use issues related to Proposition 13 and balancing new growth with fiscal constraints and infrastructure needs.

Finally, in previous RHNAs, existing housing issue/shortage/overcrowding and market demands were partially addressed through applying an "ideal vacancy rates" to both projected household growth and the existing housing stock. This allowed communities that had high existing vacancy rates to credit excess inventory against future needs, but it also added planning goals for more new housing for localities in tight markets experiencing low vacancy and availability levels. Adequately measuring vacancy levels for this purpose turned on the issue of timely and reliable data at the jurisdiction level, and available 2000 census information being so out of date. A methodology to redefine census identified "Other Vacant Units' as a resource to use in crediting against future housing targets was also proposed and rejected. A collective decision was made to drop existing vacancies in 2006 or projected 2014 vacancies as a consideration in adjusting future need from the 2007 RHNA methodology, and it pitted communities and counties against each other on the final vote.

Vacancy adjustment and issue.
As stated above, while vacancy adjustment were not applied to existing stock, the region did reach a consensus that low vacancy rates in the region do reflect the combination of the following problems: housing cost burdens, market demand, and high housing prices. During the discussion of the methodology, staff provided a strong negative correlation result between housing prices and vacancy rates for local jurisdictions from analysis of cross-sectional data of vacancy and prices. As result, the Regional Council did adopt a so-called ideal vacancy rate—3.5%, 2.3% for owner and 5% for renter, that was higher than the Census rate—2.7% used to calculate the regional housing needs for HCD approval.

In addition, to provide some relief to impacted communities—with higher concentration of lower income groups than the average for the county—vacancy adjustments for those communities were the lower of their respective vacancy rates from the Census, or the 3.5% rate.

Nevertheless, many concerns around issues of vacancy adjustment remained unresolved. Among them:

- What are appropriate levels of vacancy rates could be used to address social equity and fair share housing issues? The adopted adjustments, while representing compromise and negotiation, are deemed too minimal and not applying to existing housing stock.
- Thus there are perceived social-injustices and unfairness from many Inland jurisdictions where vacancy rates are high for existing housing stock.   In addition, due to the misconception of how "effective vacancy" was calculated, many jurisdictions with high-vacancy rates are puzzled about why there is no policy to apply their existing vacant units as credits to meet their future housing needs?

- A County based vacancy approach? Determine an ideal or optimal rate for each county. For instance, a higher optimal vacancy rate would be suitable for fast growing inland, desert areas with high construction activity, while mature urban, coastal counties would use much a lower optimal vacancy rate, depending on what would be suitable to meet mobility and housing cost mitigation goals. But the challenge would then be how to apply a County ideal rate locally. Would it be based on local housing stock characteristics (e.g. single family and multifamily housing as a proxy for ideal owner and renter vacancy rates), or some other approach? What would be the common data source for vacancies and how reliable would it be in the environment of high public scrutiny that faces RHNA targets?

Median income use in Fair Share calculations: Regional vs. County vs. Local, Which to use? How aggressive should a community move toward or beyond county or regional income group distribution?

Numerically, there is no significant variation at regional level no matter which median incomes were used to determine the housing allocation by income groups, and how aggressive they are. However, it did cause significant differences in county level and jurisdiction level distributions if one median income is used instead of either of the other two.

In fact, the current law requires the use of each county's median household income (MHI) instead of the region MHI, reflecting the input after the end of last RHNA process that using regional MHI may not be equitable; since it was felt that it defined less costly units in Inland areas, with much lower county median income levels, as "market rate" and more costly units in high median income coastal areas as "affordable" when they were not from a regional commute perspective. The intent was to define affordable housing and lower income households the same way in each county rather than to adjust the definitions when you crossed county boundaries.

Inland jurisdictions in this RHNA process advocated for using the regional MHI instead of the County MHI as required by law, for allocation of affordable units. Because this will place higher affordable housing targets in relatively high income areas in Orange/Ventura through a regional 110% of the way fair share adjustment , while it has minimum impacts on Los Angeles, Riverside and San Bernardino Counties where their median county are converging to the regional median.

Thus depending on each jurisdiction's MHI and its relative position to the regional or county median income, it is inevitable that the region vs. county MHI will continue to be debated in the foreseeable future, and it has proved very hard to reach consensus.

Another approach discussed was using each jurisdiction's existing income distribution to allocate the housing needs among income groups and emphasize trade and transfer of affordable housing obligation. This could result in a pool of resources through differences of affordable housing responsibility—established by using a county or region MHI vs. existing demands. Through trade and transfer, such that places with strong demands for affordable housing will receive resources/compensation from areas where less affordable housing is being concentrated. This approach is similar to the one used in New Jersey were trading of affordable housing responsibilities is allowed.

Conflicts between fair share and transportation efficiency

One of the emerging conflicts is the difference between the transportation efficiency, GHG emission reductions associated with compact, center, and transit friendly land use patterns and the "fair share" principle of the RHNA process that requires all communities to take their fair share

of affordable, lower cost housing, regardless of proximity to transit or employment centers. Better coordination and communications are needed between a fair-share based RHNA and a housing allocation plan designed for transportation efficiency. One solution is the "Integrated Planning Process," i.e., if Blueprints, RTP, and RHNA could be integrated into one planning process, it would result in one coordinated process and reconcile competing state housing and transportation goals for future development.

Gentrification and Health issues
Another example of the conflicts between competing public policy goals is the adverse impacts related to gentrification. Compass Blueprint has taken a detailed look at infill, mixed-use and transit-oriented development but has not yet explicitly addressed the fact that infill often replaces existing workforce housing with more up-market housing products and displaces transit dependant populations unless inclusionary policies or replacement housing programs are adopted to mitigate housing stock conversions to amenity laden condos from apartments or subsidized housing to market rate units. Employment near transit may also be adversely affected with whole sale conversion to residential use without proper planning to see if the economic job base is unduly reduced. Also largely unaddressed to date are the facts that much of the region's affordable housing is located in areas with elevated public health risks and housing inadequacy or overcrowding, indeed, Compass Blueprint's emphasis on housing near transportation and employment centers must be reconciled with the public health and safety risks these centers may pose. A transportation plus housing affordability index report prepared for SCAG evaluates these and other issues related to providing mixed income housing near transit, where combined transportation and housing costs are less burdensome on the family or household budget, and where improved access to transit can result in increased ridership (Center for Transit Oriented Development, 2008). The Index study just completed for SCAG includes six community case studies: El Monte Transit Village, Platinum Triangle (Anaheim), Downtown Fullerton, Koreatown (Los Angeles), Downtown Glendale, and Downtown San Bernardino. The case studies examine different local government approaches to a paradox associated with dispersed growth - it appears to make housing more affordable, but often cancels any significant savings with high transportation costs. The Affordability Index Toolbox synthesizes results from the case studies and recommends potential policy "tools" that local planners, elected officials and others can use to promote affordability in their Southern California communities (http://www.compassblueprint.org/toolbox/affordabilityindex).

Subregional Delegation Process
Had more subregion/local jurisdictions sought delegation in the RHNA process, SCAG's responsibility would have been much less complex and there may have only been a need to collaborate with the HCD on determining the regional share of statewide housing need, but this was not the case. There are 14 subregions that potentially could have qualified as an entity that SCAG could have delegated the RHNA outreach, revision, trade and transfer/ alternative distribution and appeal process, while maintaining the subregion total construction needs.

However, in this round of RHNA only Ventura County COG subregion performed its "delegated responsibility" by providing an RHNA allocation plan. The other two subregional delegations— the South Bay COG and the Los Angeles City—were formed primarily for the purpose of avoiding additional construction needs from successfully appealed units. Several subregions choose to collaborate informally by providing collective local input on the RHNA housing forecast without assuming other responsibilities later on in the process. This was due to a number of reasons including very limited funding to support full subregional delegation, the condensed time period to perform these functions and the risk and difficulty of reconciling subregional

RHNA targets between cities and the unincorporated areas in their county and submarket. The RHNA delegation process is very fragile and strong elected official leadership is needed to guide the effort and maintain harmony when disagreements breakout between localities over RHNA targets.

For a better delegation and RHNA planning process, SCAG will have to collaborate with local jurisdictions/subregions to promote additional RHNA delegations following the VCCOG model. In addition, efforts should also be devoted to remove barriers prohibiting many organized subregions, such as ORCCOG, SANBAG, WRCOG, CVAG, and IVAG to step forward to form the delegation. Finally, additional efforts needed to be devoted to organize the many subregions in the Los Angeles County.

AB 2348(Mullin), *local housing element /planning process*
Similar to the AB 2158 which requiring SCAG to follow a rigorous process to develop the RHNA, the AB 2348 imposes a revised and very strict process for local jurisdictions to develop their Housing Element. The AB 2348 was passed in 2004 and amended State housing element law to clarify the land inventory requirements and to provide greater residential development certainty. The new law requires: a parcel-specific land inventory; a land inventory analysis that identifies the capacity of each site to meet the housing need; and an adequate sites analysis to determine whether the inventory has identified sufficient sites to accommodate RHNA in total and by income group

SCAG, in partnership with the University of California Los Angeles (UCLA), established a free web portal with planning and mapping tools. Land Opportunities Tracking System (LALOTS) (http://lots.ucla.edu/master.cfm). LALOTS is designed to support collaborative planning efforts by enabling elected officials, local planners, real estate developers, community organizers and others to do analysis at a parcel level, neighborhood and regional level. LALOTS was expanded and renamed to CA Land Opportunities Tracking System (CALOTS), which is designed to serve as a comprehensive information portal for regional planning, land/development analysis throughout the SCAG region (http://www.compassblueprint.org/toolbox/calots). The interactive web-portal provides a platform for users to query and spatially map contextual indicators. Users such as planners, developers can now access and utilize this information to perform analysis across the region and also assess the potential for infill or station area development. CALOTS has capabilities of; scanning data at different geographic levels such as TAZ, census tract, parcel region wide; identifying areas around focus areas such as transit stops, and getting aggregated data and custom reports at different levels; analyzing planning indicators at regional, neighborhood level; evaluating and monitoring changes; researching Parcel data.

6-2. Measuring Progress
Measuring progress in providing workforce housing is typically done by monitoring key federal and state resources targeted to working families: Low Income Housing Tax Credit; local Redevelopment; CA Housing Finance Agency programs and new Housing Element Progress Reports. You can also look at general measures of housing market health: California Association of Realtors (CAR's) First Time Buyer Housing Affordability Index (FTB-HAI) (http://www.car.org/economics/marketdata/ftbhai/) and Rent/Wage research (National Low Income Housing Coalition, 2008)

Workforce Score Cards have also become popular. They are modeled after the Bay Area Council for the nine-county San Francisco Bay Area and Orange County Business Council efforts (http://www.ocbc.org/research.html) to monitor and create a methodology which attempts to measure how well communities are doing in promoting job and housing growth locally based on

jobs created and local population growth during the housing element planning period. The concept is that a local government should "take care of their own" based on providing enough housing for natural increase and work force growth

Other ways to look at fair share housing (RHNA) goal attainment is by looking at quantitative measures of production (percent of RHNA goals met through building permit issuance, for instance). This approach can be augmented by a qualitative set of measures that look at local housing/ land use policy promotion (density bonus, adaptive re-use, mixed use, permit streamlining, small site, town house ordinances, Housing Trust Funds and Inclusionary zoning policy adoption, etc.). State and local housing trust funds and finding a permanent source of affordable housing to support them is a major statewide imitative by HCD. Job housing balance funds as well as TOD/Infrastructure bond and other discretionary funds have been made available to local government by the State HCD**.**

While there is no perfect approach,   it is very likely that housing production surplus areas will continue to experience surplus (fast growing suburbs), while deficits will continue to exist in areas where housing is desperately needed but hard to build (mature urban areas). This is why jurisdictional targets and monitoring is often found wanting. There can be an allocation of a sizable housing need to a 400 square mile jurisdiction like the city of Los Angeles, but just measuring total production or monitoring new development by income category is incomplete because of units lost to make way for new construction and the loss of affordable housing through the expiration of federal or state subsidies or private condo conversion and recycling dynamics generally.. Another key concern is that reliable data is generally unavailable, incomplete or misleading.

Local governments are now required to submit annual progress reports on the implementation of the general plan including the housing element. These reports provide a useful tool for local officials, developers and the public at large to review actual performance in meeting housing needs. The annual report will also serve as a tool for local governments to regularly evaluate the effectiveness of implementation efforts and make appropriate changes within the planning period to better meet housing and community development goals. The forms will make reporting easier for local governments, and also provide statewide information to assist policy-making and the legislature in tracking housing element compliance. As part of measuring housing element progress of the city of Los Angeles for 1998-2005, the City developed an inventory of new affordable housing from seven different databases: Los Angeles Housing Department's database, Federal Housing and Urban Development's Low Income Housing Tax Credit (LIHTC) database, City's Reuse Housing Projects, California Tax Credit Allocation Committee's LIHTC database, California Debt Limit Allocation Committee's database, Federal Housing and Urban Development-Rental Housing Booklet, and California Housing Finance Agency's database. The City found that the number of affordable housing units produced for 1998-2005 was 20,150 units, which were 800 units less than that projected affordable housing needs (28,406) (http://www.livableplaces.org/policy/enoughaffordable.html)

6.3 The Future Directions in Fair Share Planning
The latest stage of Fair Share planning in Southern California stresses the land use integration with transportation and environmental planning. With State Law AB 32 mandating significant reductions in vehicle miles traveled and mobile emissions, land use planning has become part of the tool kit to reduce Green House Gas emissions and provide for a sustainable, long term inventory of housing needed to support population and employment growth in the future.

An emerging issue in California Blueprint planning is correcting for job housing imbalance by

broadening the regional or inter-regional geography for modeling housing and job sheds that cross metro areas, because it places less urgency to plan locally for consequences of unbalanced growth. For example, a community may not adequately take into account commuter based housing demand from other regions, just as a neighboring region – such as San Diego - may not be taking into account fully the workforce housing demand generated by their employment growth on other markets or regions in adjacent metro areas. The California Blueprint Program may be a way to balance local self-determination with effective subregional and inter-regional policies and decision-making.

SCAG paid for the preparation of the 2007 RHNA using its general fund resources. Because of the size and complexity of a six county and 187 jurisdiction region – with a population twice the size of New Jersey – it remains to be seen whether such planning can be sustainable. A fair share housing plan involves significant time, planning effort and costs. SCAG may not be able to afford to fund the RHNA again through its general fund without seeking legislative relief and/ or financial reimbursement from the State for this planning mandate. In the future implementing this mandate will likely be more expensive than ever because there is no legal relief for a jurisdiction after the RHNA administrative/ Appeal process runs its course - many more revisions/appeals can be expected. The RHNA will also need to start earlier because it will not be "fast tracked" by a streamlined SB 12 type process.

Currently, the Council of Governments (COGs) in California are empowered to prepare regional fair share plans but they lack the incentives for their attainment and must charge a fee to its local governments to pay for the RHNA process that is so very unpopular with local governments. The RHNA planning process should be funded by the State and not by COG fees levied on member local governments who in turn recoup costs somehow from local developers. Local governments should not pay for State Mandated programs, especially when the administrative burden is calculated in terms of assigning fees, collecting fees and still meeting strict timelines in statute, and setting aside funds for potential lawsuits, all the while moving forward a very fragile and volatile fair share planning process.

There is a mismatch of housing goals and policy tools and incentives that reduces the California fair share planning to a process oriented approach that leads less to housing production and more and more towards conflict between local and state government and stress between communities embroiled in an acrimonious regional fair share planning effort that pits cities and counties against the State and the regional planning process itself. Developers, the workforce and those seeking affordable homes are frustrated with the lack of availability and high costs of housing, while the State mandates the fair share plan but eschews the costs associated with it.

The State of California wields a "hammer from above" over local governments and their preparation of local housing element updates, and communities react to the intrusion on "home rule' with all the fervor they can muster. Clearly, much more needs to be done to provide the resources for both the planning and implementation of an effective and meaningful regional fair share planning process. No one disputes the goals or the intent of the law, but there is concern over safeguards in the process, unreasonable expectations in times of housing market uncertainty and distress, and the planning framework details, especially finding a permanent source of funding for addressing RHNA targets for affordable housing.

Preparing a Regional Housing Needs Assessment under California law requires an extensive and very fragile fair share planning process that is not well received locally, but is very important to the social and economic well being of the State. Making fair share planning real rather than conceptual will take more than unwieldy administrative requirements in law; or threats of

lawsuits and suspensions of permitting authority locally; it will take a collaborative input process between State and Local governments with the acknowledgement that real incentives are needed, and that high goals deserve a commensurate commitment by the State of California to provide funding and much more flexibility in the Fair Share Process.

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Appendix 1: Three Stages of the SCAG Approach to Fair Share RHNA Planning

Stages	Year	Note
1	1969	Assemblyman Pete Wilson adds Housing Element to General Plan Law
	1971	State HCD adopts informal, advisory guidelines for Housing Elements and SCAG adopts a Regional Housing Element
	1972	SCAG appoints a task force to establish a Regional Housing Allocation Model (RHAM) to equitably set criteria for the construction and distribution of low and moderate income housing and local use in preparing federal housing assistance plans, local housing elements and to meet HUD's 701 comprehensive Planning Certifications
	1975	Law amended to allow State HCD to review Housing Elements
	1975	SCAG adopts RHAM to Guide HUD Housing Allocations and assist in local housing planning
	1977	SCAG awarded first of three Area wide Housing Opportunity Grants by HUD
2	1980	State Law amended to make Housing Element Review by HCD Mandatory
	1980	State Mandate for Planning for Regional Fair Share of Market need by Income Group (AB 2853, Roos)
	1984	SCAG adopts 1st Regional Housing Needs Assessment (RHNA) pursuant to State Housing Law
	1988	SCAG adopts 2nd RHNA :Coordinates it with Federal Housing Assistance Plan requirements by HUD
	1990	Federal Comprehensive Housing Assistance Strategy (CHAS) are established by HUD
	1993	SCAG issues guidebook on Housing Market Trends and Future Needs by Dowell Myers, PhD
	1991	SCAG Adapts RHNA for use in Allocating Employment Based Housing Need - the City of Los Angeles' Nexus Study
	1993	Housing Element Mandate Suspended due to Budgetary Issues
	1998	SCAG launches Housing Southern Californians website - RHNA and Construction Calculator and Case Studies posted on-line
	1998	AB 438 (Torlakson) passes and allows subregional delegation of Fair Share allocations and appeals
	1998	SCAG Adopts 3rd RHNA - Several Lawsuits ensue including a SCAG lawsuit against the State
	2001	First of eight Regional Housing Summits convened to better focus regional housing planning
	2004	AB 2158 Amends the system for determining each community's share of regional housing need. AB 2348 Amends Housing Law focuses on local inventory requirement to meet RHNA Fair Share Needs and planning requirements for local outreach and engagement - legal recourse to courts is removed.
	2004	SCAG seeks to postpone RHNA to coordinate it with Transportation Planning through Urgency Bill SB 12
	2004	SCAG Adopts a Compass Growth Vision to Guide Transportation Scenario Planning
	2004	SCAG launches LA LOTS with UCLA through the State HCD Inter-regional Partnership for Job Housing Balance Program

3	2005	SCAG receives first of three California Blueprint Grants to link Land Use, Transportation and Environmental Planning
	2005	SB 575 passes and strengthens Anti-NIMBY laws by preventing disapproval of an affordable housing project if the locality has not met its Fair Share requirements
	2007	SCAG adopts 4th RHNA through an Integrated Growth Forecast and several law suits are filed: The RHNA short term Housing Demand Projection is complimented with a long range set of transportation growth distribution scenarios
	2008	SCAG publishes a Transportation + Housing Affordability Index with 6 local case studies

Appendix 2:

SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

Input regarding Local Planning Factors (RHNA)

City:_____   Subregion:
_____
Contact Person: _____   Phone
Number/Email:_____

FACTOR	MAP REVISION / DESCRIPTION OF INPUT RECEIVED
1. Existing and projected job housing balance.	
2. Lack of capacity for sewer or water service due to federal and state laws, regulations or regulatory actions, or supply and distribution decisions made by a sewer or water service provider other than the local jurisdiction that preclude the jurisdiction from providing necessary infrastructure for additional development during the planning period.	
3. The availability of land suitable for urban development or for conversion to residential use, the availability of underutilized land, and opportunities for infill development and increased residential densities. (*Note: SCAG cannot limit this factor to existing zoning and land use restrictions, but must consider under existing law the potential for increased residential development under alternative zoning ordinances and land use restrictions.*)	
4. Lands preserved or protected from urban development under existing federal and state programs, or both, designed to protect open	

space, farmland, environmental habitats, and natural resources on a long-term basis.	
5. County policies to preserve agricultural land within an unincorporated area.	
6. The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.	
7. The loss of units contained in assisted housing developments that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or terminations of use restrictions.	
8. The market demand for housing.	
9. Agreements between a county and cities in a county to direct growth toward incorporated areas of the county.	
10. High housing costs burdens.	
11. Housing needs of farm workers.	
12. The housing needs generated by the presence of a private university or a campus of the California State University or the University of California (dorms, student housing, etc.) within any member jurisdiction. (New factor added pursuant to Assembly Bill 2572.)	
13. Other factors beyond those in the RHNA housing statute may be considered by SCAG and suggestions are welcome.	

Appendix 3: Guidelines for Presenting Revisions and Appeals of RHNA Plan Assignments of Fair Share Needs

Summary of Actions taken by the RHNA Appeals Board on April 5, 2007*

Action Item 5.1.A.

In order to ensure a timely progression of the meetings and hearings, the Board was asked to establish reasonable parameters. Various options were discussed. To address matters relating to time guidelines and agenda order, the RHNA Appeals Board voted unanimously to:

(1) Set a guideline of 30 minutes per appeal or revision request as follows: jurisdiction presentation, 10 minutes; staff presentation, 5 minutes; jurisdiction rebuttal, 5 minutes; and public comment or testimony, 10 minutes. Times may be exceeded at the direction of the Chair or Board majority;

(2) Set a time limit of three (3) minutes per person per public comments; reserve the ability to request speakers shorten their time if they are repeating previous speakers' testimony;

(3) Defer verbal duplication of written SCAG staff reports at the direction of the Chair or Board majority;

(4) Give staff direction to bundle certain requests on an agenda if the technical analysis pertains to more than one city (applicable to revision requests only);

(5) Direct staff to schedule revision request at the beginning of each agenda;

(6) Authorize staff to transfer any revision requests and/or appeals that have been filed by a jurisdiction within a subregion that has accepted delegation to the applicable subregion; and

(7) Direct staff to contact jurisdictions regarding whether to come in the morning or afternoon based upon order on the agenda.

Action Item 5.1.B.

Regarding the matter of receipt of new or additional materials at the meetings or hearings, the RHNA Appeals Board voted unanimously that:

(1) Jurisdictions be requested to limit their materials, arguments and evidence to that which is directly relevant to a permissible basis for their appeal or revision request; and

(2) Jurisdiction be informed that for any jurisdiction that intends to provide any information, arguments, or evidence that the jurisdiction has not previously submitted with the notice of appeal or revision request, to provide a one-paragraph summary of the information, and may request the jurisdiction to provide an explanation of how such information is directly relevant to a permissible basis for its appeal or revision request before agreeing to consider such information in connection with the appeal and or revision request; and

(3) That jurisdictions be informed to limit their presentations to oral and written materials and the RHNA Appeals Board would not accept or consider any PowerPoint or other electronic presentations.

  * Note: This summary is taken from the draft minutes of the RHNA Appeals Board meeting held on April 5, 2007.